

EXHIBIT 16

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In accordance with a protective order, the enclosure(s) shall be treated as confidential and shall not be shown to any person other than those persons designated in paragraph 8.2 of the paragraph order.

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF WYOMING

CUSTODIA BANK, INC.,

Plaintiff

vs.

No.

FEDERAL RESERVE BOARD OF

22-cv-00125-SWS

GOVERNORS and FEDERAL RESERVE

BANK OF KANSAS CITY,

Defendant.

CONFIDENTIAL DEPOSITION OF JUDITH HAZEN,
FRBKC Representative, a Defendant, taken on behalf of
the Plaintiff before Kelsey Robbins Schmalz, CSR No.
1571, CCR No. 1148, RPR, pursuant to Notice on the
16th of November, 2023, at the offices of the Federal
Reserve Bank of Kansas City, 1 Memorial Drive, Kansas
City, Missouri.

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1 communicated to Wyoming representatives that there
2 was a problem with having a resolution plan be
3 developed within six months of commencing operations?

4 MS. CARLETTA: Objection. Form and
5 outside the scope.

6 A. I don't know if it was conveyed that
7 we had concerns with not having a plan for resolution
8 until an entity was operating.

9 BY MR. SCARBOROUGH:

10 Q. When did the Kansas City Fed first
11 have concerns around the timing of developing a
12 resolution plan for a SPDI?

13 MS. CARLETTA: Same objections. Form
14 and outside the scope.

15 A. Based on the typos here, I would say
16 as early at December of 2018 we had concerns.

17 BY MR. SCARBOROUGH:

18 Q. And which talking point are you
19 specifically referencing?

20 A. I'm sorry.

21 Q. I ask because I don't see it on those
22 talking points.

23 A. I misspoke. Let me confirm that
24 they're not in here.

25 I don't know the specific date that

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1 the Federal Reserve Bank of Kansas City identify that
2 had as a concern.

3 Q. And as you sit here today, is it fair
4 to say that you can't point to any time that that
5 concern would have been communicated to Wyoming
6 representatives while the SPDI charter legislation
7 was being drafted?

8 MS. CARLETTA: Objection. Form.

9 A. I don't know if it was communicated
10 during the drafting of the legislation.

11 BY MR. SCARBOROUGH:

12 Q. Okay. Let's put that document to the
13 side, and we can also put Exhibit 227 to the side for
14 the moment. And before I move completely off of it,
15 during any of the discussions that occurred between
16 Kansas City Fed officers and Wyoming representatives
17 around the SPDI charter legislation, was there any
18 representation made by the Kansas City Fed that a
19 SPDI was not going to be able to get a master account
20 since it didn't have a federal supervisor?

21 MS. CARLETTA: Objection. Form.

22 A. I'm not aware of any comments made
23 that a SPDI would or would not be able to get a
24 master account. I believe the conversation focused
25 on being clear that the decision would be with the

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1 Reserve Bank or with the Federal Reserve.

2 BY MR. SCARBOROUGH:

3 Q. Was there any representation made that
4 a SPDI-chartered entity would not be able to get a
5 master account because it was not insured by the FDIC?

6 MS. CARLETTA: Objection. Form.

7 A. Again, I think the feedback shared
8 during the drafting of the legislation was that the
9 decision on the master account would be that of the
10 Federal Reserve System.

11 BY MR. SCARBOROUGH:

12 Q. And so none of the feedback that was
13 given by Kansas City Fed officers said that having a
14 federal supervisor was essential to getting a master
15 account; is that fair?

16 MS. CARLETTA: Objection. Form.

17 A. Again, in the context of the
18 conversations around the legislation, I think that
19 the comments that were provided around the master
20 account was clarity and where the decision stood.

21 BY MR. SCARBOROUGH:

22 Q. And same question for being FDIC
23 insured. None of the representatives of the Kansas
24 City Fed communicated to Wyoming representatives that
25 having FDIC insurance was essential to getting a

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1 master account, right?

2 MS. CARLETTA: Objection. Form.

3 A. Again, in the conversations around the
4 legislation, I believe the feedback on the master
5 account was clarity regarding the decision being with
6 the Reserve Bank.

7 BY MR. SCARBOROUGH:

8 Q. We were talking earlier about the
9 Monetary Control Act of 1980, and when the Kansas
10 City Fed first took the position that it was simply a
11 pricing statute. Do you remember that?

12 A. I remember you framed it as I said it
13 was simply a pricing statute.

14 Q. Again, is that -- am I misrepresenting
15 the position that the Kansas City Fed is taking on
16 the Monetary Control Act of 1980?

17 MS. CARLETTA: Objection. Form.

18 A. I didn't prepare to speak on behalf of
19 the entire Monetary Control Act, but the specific
20 piece that you keep bringing up I do believe applies
21 to equal pricing or similar pricing for entities that
22 have access to services as determined by the Reserve
23 Bank.

24 BY MR. SCARBOROUGH:

25 Q. And that's a specific reference to

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1 statutory Section 248?

2 A. That's my understanding.

3 MR. SCARBOROUGH: Can we mark as our
4 next exhibit 228.

5 (FRB Exhibit No. 228 was marked for
6 identification by the reporter.)

7 BY MR. SCARBOROUGH:

8 Q. I'll hand you Exhibit 228. Does the
9 Kansas City Fed publish an annual report?

10 A. We do.

11 Q. And does the annual report go out
12 under the president of the Kansas City Fed's
13 signature?

14 A. It currently does.

15 Q. And I've handed you the annual report
16 that went out under the signature of Roger Guffey,
17 president in January of 1981.

18 Do you see that?

19 A. I see that.

20 Q. And do you know that Roger Guffey was
21 the president of the Kansas City Fed at that time?

22 A. Based on this.

23 Q. To help you, if you turn to the third
24 page of the document page wise, it would be Page 5 if
25 they were numbered, do you see an officer list? At

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1 the top it says officers and then reflects the
2 January 1st, 1981, date?

3 A. I see that.

4 Q. And it indicates that for the Federal
5 Reserve Bank of Kansas City, the president is Roger
6 Guffey?

7 A. I see that.

8 Q. The copy is not great so I apologize
9 for that, but I will try to read the first part here
10 so that it facilitates your understanding.

11 It says, The year 1980 was one of
12 change and challenge for the Federal Reserve Bank of
13 Kansas City and its branches in Denver, Oklahoma City
14 and Omaha.

15 Do you see that?

16 A. I do.

17 Q. And then it goes on to say, With the
18 passage of the Depository Institutions Deregulation
19 and Monetary Control Act, the financial industry
20 entered a new -- what's that word -- dynamic, I
21 believe, but it's difficult to read it for sure --
22 strike that.

23 Entered a new economic environment
24 which is sure to make the '80s a dynamic time for all
25 financial institutions.

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1 Did I read that correctly?

2 A. As well as I can read it. It's
3 difficult on the side.

4 Q. Right. There's nothing that I read
5 there that does not appear to reflect the document;
6 is that fair?

7 A. Correct, beyond the framing of that
8 new environment that I just can't make out.

9 Q. And does the Kansas City Fed agree
10 that in the wake of the passage of the Monetary
11 Control Act that there was a rapidly changing
12 financial environment?

13 MS. CARLETTA: Objection. Form.
14 Outside the scope. We did not agree to have the
15 witness testify on the entirety of the Monetary
16 Control Act of 1980, and we discussed this in our
17 meet and confer.

18 A. I see the statement there.

19 BY MR. SCARBOROUGH:

20 Q. Okay. President Guffey goes on to say
21 that the services provided by the Federal Reserve
22 Bank such as check clearing, wire transfer -- wire
23 transfer processing, occurrence and coin processing
24 and fiscal agency services will become directly
25 available to many more financial institutions. The